

Lesson Plan: Auto Insurance

This lesson plan is the collaborative efforts of John Korte and Janet Duncan of the Missouri Department of Insurance Financial Institutions & Professional Registration. Reference material was supplied by Jeff Zink of Shackleford Insurance Agency in Iberia, MO.

Subject: Consumer Economics

Grade Level: 11 - 12

Length: Two Class Periods

Objective: Students will develop their knowledge of automobile insurance definitions during the

first class period. Then, during the second class period they will apply that knowledge

to determine levels of coverage.

Materials: Student - pen or pencil and worksheets.

Teacher - copies of worksheets, transparencies and overhead projector

Background: Students will have obtained a copy of their personal automobile declarations page, and

attempt to determine the level of coverage they have on their own (or parents') vehicles.

Activities: The teacher will present the "Don't Risk It: Cover Your Car" Worksheet and use it to

provide orientation to the subject matter. Next, students will learn financial

responsibility requirements from the sample declarations page worksheets. This should be done as group work to encourage further discussion. Also, included is a crossword

puzzle and word search to assist in term recognition and recall.

Show-Me Standards: For more information access the MO Department of Elementary and Secondary

Education website at: http://www.dese.mo.gov/standards

Knowledge Standards: Communication Arts (1, 2, 5, 6)

Health/Phys Ed. (6) Mathematics (1, 3)

Science (8)

Social Studies (4)

Performance Standards: 1-5, 1-8, 1-10, 2-3, 2-7, 3-1, 3-2, 3-4, 3-5, 3-6, 3-7, 3-8, 4-1, 4-5, 4-6

Missouri Department of Insurance, Financial Institutions & Professional Registration P.O. Box 690 Jefferson City, MO 65102

Consumer Insurance Hotline 1-800-726-7390

http://insurance.mo.gov

Get Car Insurance - It's the Law

Before you get out of high school, you'll probably be behind the wheel of a car. At some point you'll ask, "Why do I need Car Insurance?" The easiest answer is that it's the **LAW**!

If you're headed out on your own...

Get off mom and dad's policy and get your own policy. Fraud is committed when someone lies to the insurance company about who owns the car, who's driving the car, and/or where it's kept. If you're looking to move out, update your auto policy.

If you're headed to the military...

Some companies offer great discounts to military personnel. There are some companies that cater to the military. Shop around for the best deal. Remember, the company needs to know where you park the car. If you're shipping out, tell the insurance company where you will store your car or motorcycle.

If you're headed to college...

You can probably stay on your parent's policy, but your insurance company needs to know that your car is not at home. If you get above average grades, see if your insurance company offers a "good student" discount. You may qualify!

What your policy covers

These are generalized statements. You will need to **read your policy** for specific items and events covered.

- · Auto liability insurance pays for someone else's property or injuries if you are liable, or at fault, in an accident. The policy will list this as bodily injury and property damage.
- Your insurance pays if the other person does not have any insurance. Your policy is required to have uninsured motorist coverage for your injuries. UM does not pay for your car.

- · Comprehensive pays you if your car is stolen or damaged by basic acts of nature.
- · If you're at fault, or the other guy doesn't have insurance; Collision pays to fix your car.

What you should know

Every driver in Missouri is required to be "financially responsible". Being financially responsible means that you can pay for the damage for which you are legally liable.

The minimum liability amounts in an auto insurance policy are \$25,000 for bodily injury per person, \$50,000 for bodily injury per accident and \$10,000 for property damage. This is typically referred to as 25/50/10. Before you get into an accident, you may wish to consider more than the required state minimum. Ask yourself this: "How many cars on the road today cost more than \$10,000?"

Giving others your keys

Did you know that if your friend wrecks your car, the accident is on you? You are responsible for who drives your car. So, even if you ask your friend if they have insurance before they drive, it may not matter. As far as your insurance company is concerned, the accident will go on your insurance record and you will pay the surcharge. Be careful about who you give the keys to.

Grace Period

If you do not pay your premium before the due date, you have no insurance.

High-Risk Policies

Current Missouri law does not prevent an insurer from putting you into a high-risk policy if you have not been insured in the last 30 days. Paying your premiums on time and not letting your policy lapse can avoid this situation.

Insurable Interest

A big part of how a company sets the price of your insurance is generally based on where the car is located, who drives it, and how it's driven. The titled owner of a vehicle is the only person who can take out insurance on a vehicle. This is called "insurable interest". For example: If your Uncle Bob loans you his pickup truck, you will want to make sure you're covered. But, since your name is not on the title, you cannot get insurance in your name. Uncle Bob will have to do that.

Deductible

A deductible is a clause in your insurance policy that states you will pay a specific amount of a claim before the company pays. *The higher your deductible, the lower your premium.*

Finance Companies

If under the terms of your auto loan, you agree to provide comprehensive and collision insurance and you fail to do so, the bank may take out a policy to protect its interest in your car. These policies typically *do not* offer liability insurance coverage to meet the state's mandatory liability laws and typically only cover the amount of the loan, not what the car is worth.

Claims :

If you're in an accident and your car is "totaled" most insurance companies pay the Actual Cash Value (ACV) of your vehicle. A company will search several different ways to find the "actual cash value" of your vehicle. Some of these ways may include: NADA, Kelly Blue Book, CCC etc. Companies are not required by state law to use a specific source to establish the ACV.

Comparative Fault

Missouri uses the rules of pure comparative fault. Pure comparative fault allows your damages to be reduced by the percentage you are at fault in a loss. Insurers are allowed to investigate an accident and make a decision as to the percentage of fault of all parties involved. They will make voluntary offers based on this opinion. If you disagree with their evaluation, you can consult an attorney or turn over the matter to your own insurance company to handle under your collision coverage.

50/50 Comparative Fault

Many parking lot accidents end up being half your fault and half the other person's fault. Parking lots are considered private property where the property owner, not the state, places the lines and road signs. Some of your general road laws do

not apply, but common sense does. If you're in a parking lot accident, get the names of witnesses, take photos, and check with the business to see if they have a parking lot security tape.

What do I do if I get into an accident?

- Make sure everyone in your car is OK
- · Check the other car to see if they are OK
- · Call the police
- Get the following information from the other driver: name, address, telephone number, license plate number, drivers license number, insurance information
- · Give the same information to the other driver
- · Get the name and phone number of any witnesses
- Keep a disposable camera in your car and take accident pictures
- · Call your insurance agent as soon as possible

Simple Lesson

- 1. Let's say you carry the state minimum liability insurance on your car. That's listed on an auto policy as ____ / ___ / ___
- 2. Now, let's say that you have the state minimum liability amount and your at fault. Your insurance company is legally liable to pay up to \$_____ for the other person's car?
- 3. What if the other guy is driving a new Corvette worth \$50,000 and you totaled it?
- 4. Now let's say that you've only been *thinking* about getting insurance on your car, but didn't actually get the insurance. Now how much are you in for?

Answer:
1. 25/50/10 2. \$10,000 3. You could get sued above the amount person's injuries, and you may owe the bank. Plus, now you need new wheels to get around.

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HOMETOWN INSURANCE COMPANY P.O. BOX 123 HOMETOWN, MO 65486

 24 Hour Policy Services
 1-800-555-5555

 24 Hour Bill Questions
 1-800-555-6666

 24 Hour Claims Services
 1-800-555-7777

JOHN & JANE DOE P.O. BOX 456 HOMETOWN, MO 65486 PERSONAL AUTO POLICY DECLARATIONS PAGE

FOR NAMED INSURED:

JOHN AND/OR JANE DOE

POLICY NUMBER: 123ABC123ABC POLICY PERIOD: 07/01/03 TO 01/01/04

VEH#	YR	MAKE	MODEL	SERIAL NUMBER	STATED AMOUNT	DRV#	LISTED I	DRIVERS	EXCLUDED	SR22
1	1993	DODGE	DAKOTA 4X4	123FLCKGN24CK		1	JOHN	I DOE	NO	NO
2						2	JANE	E DOE	NO	NO
3						3				
4						4				
						5				
		COVER	AGES - LIMITS OF	LIABILITY				PR	EMIUMS	
THE COVERA	AGE IS APPLIC	CABLE ONLY IF	A PREMIUM IS IN	DICATED.		VEH #1	VEH #2	VEH #3	VEH #4	TOTAL
BODILY INJU	JRY & PROPE	RTY DAMAGE I	LIABILITY			\$699				\$699
BI \$25,000 EA	ACH PERSON -	\$50,000 EACH	ACCIDENT							
PROPERTY D	DAMAGE LIAE	BILITY - \$10,000	EACH ACCIDENT							
UNINSURED	MOTORIST:									
\$25,000 EA	CH PERSON -	\$50,000 EACH A	CCIDENT			\$19				\$19
				D	REMIUM BY VEHICLE	\$718				
				1.	REMICH DI VEHICLE	φ/16				
						TOTAL PO	OLICY PRE	EMIUM	L.	\$718

AUTOMOBILE POLICY DECLARATIONS



Duncan Insurance Company

INSURED: RENEWAL

Tom and/or Sue Jones POLICY PERIOD FROM: July 1, 2003 200 Main Street TO: Jan. 1, 2003

Smalltown, MO 65486

POLICY NUMBER: at 12:01 A.M. standard time at the address of the insured as

123ABC123ABC stated herein.

AGENT: AGENT TELEPHONE: J. L. Duncan (573) 555-5555

ALL DRIVERS Tom Jones
IN HOUSEHOLD Sue Jones

RATED DRIVERS None

1988 FORD RANGER PICK-UP ID#123ABC456
1996 CHEVROLET SUBURBAN ID#456DEF789

Insurance is afforded only for the coverages for which limits of liability or premium charges are indicated.

COVERAGES	1988 FORD LIMITS	PRI	EMIUMS	1996 CHEV LIMITS	PRI	EMIUMS
LIABILITY:						
BODILY INJURY	\$100,000	\$	51.70	\$100,000	\$	51.70
	Each Person			Each Person		
	\$300,000			\$300,000		
	Each Occurrence			Each Occurrence		
PROPERTY DAMAGE	\$100,000		44.00	\$100,000		44.00
	Each Occurrence			Each Occurrence		
UNINSURED MOTORISTS:						
BODILY INJURY	\$50,000		12.60	\$50,000		12.60
	Each Person			Each Person		
	\$100,000			\$100,000		
	Each Accident			Each Accident		
UNDERINSURED MOTORISTS	S:					
BODILY INJURY	\$50,000		5.40	\$50,000		5.40
	Each Person			Each Person		
	\$100,000			\$100,000		
	Each Accident			Each Accident		
COMPREHENSIVE	Actual Cash Value		22.70	Actual Cash Value		53.00
	Less \$100 Deductible			Less \$100 Deductible		
COLLISION	Actual Cash Value		25.70	Actual Cash Value		63.20
	Less \$500 Deductible			Less \$500 Deductible		
		\$	162.10		\$	229.90

P.O. Box 123 Smalltown, MO 65486

C & C INSURANCE COMPANY STANDARD AUTO POLICY PAGE I OF I POLICY NUMBER TERM BILLING STATUS N/R DECLARATIONS SAM AND/OR ANN SMITH NAMED INSURED & 123ABC123ABC Monthly AMENDED 100 OAK STREET ADDRESS POLICY PERIOD MONEY W/APP SUSPENSE NO. LITTLETOWN, MO 65486 070103 010104 EFF. DATE OF CHANGES: LIENHOLDER INFORMATION C & C INSURANCE COMPANY AGENCY AMENDMENT P.O. BOX 123 LITTLETOWN, MO 65486 080103 UMPO UNDINS MOTORIST Ea. Accident Ea. Person Ea. Accident BODILY INJURY PROP DAM LIABILITY MED PAY UNINS MOTORIST отс AUTO COLL Ea Person Ea Accident Ea Accident Ea Accident Ea. Person Ea. Person Ea. Accident 1 50 25 25 50 50 25 1,000 250 25 50 ENDT NO'S ABC123 DEF456 GH1789 OTHER PROPERTY OTHER THAN UNINSURED UNDERINSURED PERS INJ RENTAL AUTO LIABILITY COLLISION MEDICAL UMPO TOWING INJURY DAMAGE COLLISION MOTORISTS MOTORISTS PROTECTION REIMB 213.00 37.00 47.00 6.00 179.00 10.00 2 220.00 INCL Total Premium Other Misc. Endts. Auto Sub-Total AUTO 986.00 Each Auto Requiring Premium Endorsements 2 510.00 Membership Fee Full Term Prem Add'l Amount AUTO(S) OR TRAILER(S) IDENTIFICATION RATING DR. TO WORK CAR ANNUAL AUTO MODEL YEAR MAKE TYPE CLASS NUMBER ST/AMT ST TERR CO CC USE Y/N DA MI POOL MILEAGE 1 1996 CHEV SUBURB SUV 123ABC456 MO 77 66 PLEA 5 22 5,720 INTREPID 456DEF789 мо 77 DODGE SEDAN PLEA 5 50 3,250 AUTO GARAGE LOCATION AUTO 1 AUTO LIEN LOSS PAYEE (L) ADDITIONAL INSURED (A) COMB. LOSS PAYEE/ADD'L INSURED (C) BANK OF LITTLETOWN P.O. BOX 100 LITTLETOWN, MO 65486 IDENTIFICATION NUMBER DRIVER NAMES NO SEX D.O.B. MAR VEH RESTR SAM SMITH 111-11-1111 M 1/1/1958 A 2 ANN SMITH 222-22-2222 F 7/7/1963 2 М Α EXCLUDED DRIVERS HOUSEHOLD MEMBERS NOT DRIVING LIVE W/PAR NO NONE DICK SMITH JANE SMITH NONE DICK SMITH JANE SMITH 2 Y

Scenario Worksheet:

Directions: Determine what each person and each company will

Case #1

John & Jane Doe have the following auto insurance:

Hometown Insurance Company

Includes:

- \$25,000 bodily injury per person
 \$50,000 bodily injury per accident
 \$10,000 property damage per accident
- \$25,000 uninsured motorist per person
- \$50,000 uninsured motorist per accident

Case #2

Sam & Ann Smith have the following auto insurance:

C&C Insurance Company

Includes:

- \$25,000 bodily injury per person
 \$50,000 bodily injury per accident
 \$25,000 property damage per accident
- \$1,000 Medical pay per person
- \$25,000 uninsured motorist per person
- \$50,000 uninsured motorist per accident
- \$250,000 collision

Case #3

Tom & Sue Jones has the following auto insurance:

Duncan Insurance Company

Includes:

- \$100,000 bodily injury per person
 \$300,000 bodily injury per accident
 \$100,000 property damage per accident
- \$50,000 uninsured motorist per person
- \$100,000 uninsured motorist per accident
- Comprehensive ACV \$100 deductible
- Collision ACV \$500 deductible

SCENARIO:

On the way to the lake last weekend, Sam & Ann Smith were towing their 20-foot boat on the back of their pickup truck. While approaching the green traffic light, Ann could see that another car, driven by Tom Jones, was going to run his red light and and was not going to stop. Ann slammed on her breaks to attempt to stop before the intersection, but slid into the middle of the intersection anyway. Needless to say, you can imagine the impact that the Jones's car caused when it slammed into the side of the Smith's pickup truck.

In a hurry, John & Jane Doe might have been traveling too close behind the Smiths'. The Doe's ended up running into the back of the Smith's boat. Since the boat trailer wasn't quite hitched properly, the accident unhitched the Smith's boat trailer from the back of the pickup. The good news is that the boat only slid 20 feet away and didn't hit the video rental store. The bad news is that it knocked over a pedestrian named Mr. Bullwinkle.

PROPERTY DAMAGE:

Smith's Pickup - \$28,500 Smith's Boat - \$30,000 (totaled) Jones's Car - \$9,500 Doe's Car - \$5,000

BODILY INTURIES:

Ann Smith: minor bumps & bruises, one broken arm, ER visit = \$1,200 Sam Smith: broken arm, broken leg, punctured lung, concussion, loss of vision in right eye, ambulance, ER visit, 2 nights hospital stay, 26 rehabilitation visits, and "Pain & Suffering" = \$75,680

Tom Jones: minor bumps & bruises,

concussion = \$900

John Doe: broken leg, ambulance,

concussion = \$3,500

Jane Doe: Stitches in forehead, dislocated shoulder, 12 rehabilitation visits = \$12,000 Mr. Bullwinkle: broken leg, broken back, hospital stay, 26 rehabilitation visits, "Pain

& Suffering" = \$100,000

Answer Key:

IMPORTANT NOTE: Generally, when a boat is attached and being pulled by a vehicle, liability coverage extends from the vehicle to the trailer being pulled. For this exercise, please assume that the insurance company takes this same general liability approach. To be certain, you will want to check with your insurance company prior to towing a trailer.

IMPORTANT NOTE: "Pain & Suffering" is not a bodily injury that can specifically be proven. Some insurance companies will negotiate "pain & suffering" with a claimant. Other insurance companies will not settle and will leave "pain & suffering" up to the determination of a jury. For this exercise, please assume that these insurance companies will negotiate and settle "pain & suffering".

- Tom Jones's insurance company accepted liability for Mr. Jones's part of the accident. They are willing to pay for repairs to the Smith's pickup and bodily injuries sustained by the Smiths'. Also, repairs to Mr. Jones's car.
- John & Jane Doe's insurance company agreed with the Smith's insurance company that the Doe's are 75% liable for the damage to the boat. Yes, the Doe's ran into the Smith's boat, which caused a lot of the damage, but the Smiths' didn't hitch the boat up correctly. Therefore, part of the damage for the trailer becoming unhitched is the Smiths' fault.
- Sam & Ann Smith's insurance company accepted liability for 25% of the damage to the boat. The Smiths' insurer also accepted liability for Mr. Bullwinkle's bodily injury.

Case #1		Case #2		Case #3		
Hometown Insurance Compa	ny pays:	C&C Insurance Company pays:		Duncan Insurance Company pays:		
Smith's Boat (75%) (maximum PD allowed) Doe's Car	\$10,000 + 0 \$10,000	Smith's Boat (25%) Mr. Bullwinkle's bodily injury (maximum per person)	\$7,500 + 25,000 \$32,500	Smith's pickup Ann Smith's bodily injury Sam Smith's bodily injury Jones' car	\$28,500 1,200 75,680 + 9,000 \$114,380	
John & Jane Doe pay	:	Sam & Ann Smith pay	/ :		\$114,360	
				Tom Jones pays:		
Cost to repair their own car Additional due for boat	\$5,000 + 12,500 \$17,500	No out-of-pocket cost	\$0	Property damage deductible	\$500	

An insurance company is only legally obligated to pay for the amount of coverage that a person carries. Therefore, C & C Insurance Company could only pay out \$25,000 to Mr. Bullwinkle on behalf of the Smith's. It would be Mr. Bullwinkle's choice to sue the Smith's for the rest of his Bodily Injury.

Since an insurance company is only legally obligated to pay for the amount of coverage that a person carries, Hometown Insurance Company did not have much to pay out. This is because the Doe's only carried the minimum amount of liability insurance. Their policy indicates that they only have \$25,000 of Property Damage liability coverage. Additionally, the Doe's do not have coverage that that would cover the cost of repair to their vehicle (this type of coverage is listed as Comprehensive, Collision, and/or Other Than Collision).

- The Smith's were lucky that they got all of their bills paid for because Mr. & Mrs. Jones had adequate insurance coverage.
- The smart characters were the Jones'. By carrying adequate insurance, their insurance company paid for the damages that Mr. Jones caused and was legally liable to pay.
- The unlucky bystander was Mr. Bullwinkle. He will have to discuss his medical bills with his own Health Insurance Carrier.
- The Doe's were also unlucky. Since they did not have enough insurance, they may be legally liable to pay for an additional \$12,500 to the Smiths' for boat damage. And they didn't get their car fixed.



Missouri Department of Insurance, Financial Institutions, & Professional Registration

Insurance Education Initiative

Teen Worksheets and Lesson plans - Educator Survey

PLEASE MAIL TO: Missouri Department of Insurance PO Box 690 Jefferson City, MO 65102-0690

> http://insurance.mo.gov 800-726-7390

The Missouri Department of Insurance, Financial Institutions, & Professional Registration supports the use of educational insurance programs for Missouri youth. Teaching teens & young adults the importance of insurance coverage will further prepare them for life's journey. DIFP realizes that one of the best ways to teach teens about insurance is in the classroom. Please provide your feedback to for the insurance educational material used in your classroom.

Your NameName of your school											
								Subject or Class and Grade Level with which you used this material Email and/or phone number			
Check all	that apply:										
	Lesson Plan used	Supplemental DIFP classroom material used									
	Health Insurance Lesson Plan	□ Teen Insurance Crossword Puzzle									
	Auto Insurance Lesson Plan	□ Teen Insurance Word Search									
	Renters Insurance Lesson Plan	□ Teen <i>Renters</i> Ins Crossword Puzzle									
_		□ Teen <i>Renters</i> Ins Word Search									
	the other insurance educational materials you										
Examples of	f other insurance material may be M.I.E.F.'s CD or DE	ESE's Family/Consumer Resource Management [#40-3109-I]									
Did von n	on any DIED Toons workshoots (Consul Auto	Health Dentann) in your alassroom, other than the one included									
-	lesson plan?	Health, Renters) in your classroom, other than the one included									
•	Yes										
	No										
_	e the educational value of the DIFP material i	used in your electrom									
riease rau	e the educational value of the DIFF material (used III your classroom.									
	1 (High)										
	2										
	3										
	4										
	5 (Low)										
How did yo	our students react to the lessons taught?										
	Excellent										
	Good										
	Poor										
Additiona	l comments or recommendations:										

Thank you for your input about the DIFP Insurance Education Initiative. For more information contact us at 1-800-726-7390 or email us by going to www.insurance.mo.gov then Ask MDI then Teen info